

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6305

BILL NUMBER: SB 191

NOTE PREPARED: Feb 27, 2012

BILL AMENDED: Jan 17, 2012

SUBJECT: Local Government Investments.

FIRST AUTHOR: Sen. Charbonneau

FIRST SPONSOR: Rep. Soliday

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) *Period of Investment:* The bill permits a political subdivision to authorize its investing officer to invest public funds for a maximum term of five years. (Under current law, the maximum term is generally two years.)

Investment Policy: It requires the fiscal body of the political subdivision to approve a written investment policy and adopt an ordinance to provide this authority. It provides that the authority expires on the date of the expiration of the policy which may not exceed four years. The bill limits the amount that may be invested for more than two years to 25% of the political subdivision's total portfolio of public fund investments, including transaction accounts.

Census: The bill also changes population parameters to reflect the population count determined under the 2010 decennial census.

Effective Date: July 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: To the extent that the return on investment is higher if money is invested for

a longer period of time, political subdivisions could earn more interest income on investments. However, any increase in interest income from investments will depend on the market conditions and investments chosen by the political subdivision's investing officer.

The bill also allows an investing officer to contract with a federally regulated investment advisor or institutional money manager. The fiscal impact of this provision will depend on the results of the investments and the fees charged by the advisor or manager.

(Revised) **Background:** The bill allows the fiscal body of the political subdivision to adopt a written investment policy. If the written policy is adopted, the fiscal body may adopt an ordinance authorizing its investing officer to undertake an investment of between two and five years from the date of purchase or repurchase agreement for up to 25% of the total investment portfolio. The policy would terminate on the date specified in the policy, which may not exceed four years. Any investment made under the policy would remain legal, either if the policy terminates or the value of the overall portfolio is diminished.

State Agencies Affected:

Local Agencies Affected: Political subdivisions.

Information Sources:

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